FSC-183-B	12/4/97
SUBJECT: Competitive Contract Assessment	

DISTRIBUTION:

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Objective: Provide A Document To Augment The "Legislated Non-Self Service, RJR Merchandising/ Presence Development (Package Outlets)" Presentation (reference FSC-146-A, Dated 09/18/97).

Purpose: Provide Competitive Contract Analysis For "Selling Arm" To Utilize During Retail Presentations. Reinforces RJR's Role As Category Advisor To The Trade.

As noted in previous correspondence, our competitors are currently presenting NSS solutions, and in some instances, are encouraging retailers to convert to a non-self service environment prior to legislative mandates.

We have received information on Philip Morris' 1998 Retail Masters Contracts for Package and Carton outlets. While these contracts are structured to address legislated non-self service scenarios, indications are that PM is presenting these programs in non-legislated markets. If you have not experienced this activity yet, it is our expectation that you will very soon.

This documentation has been "culled down" to what we feel are the critical points for our "selling arm" and retailers to understand, and are separated into three components:

- Major Contract Changes
- Major Contract Requirement Changes
- Implications To The Retailer

We are providing two contract topline assessments; one for Package outlets, the other for Carton outlets. (These documents will also reside on the "G Drive" under _Sales; _98 Plans; Competitive; PMLNSS).

A section of the "LNSS, RJR Merchandising/Presence Development" presentation is dedicated to an assessment of our competitor's approach. We recommend that you insert the topline pages behind the "Competitive Assessment - Philip Morris" tab in your presentation decks for Package and Carton outlets respectively.

In order to successfully combat our main competitor, we must uphold our commitment to being the true category advisor to the trade. The proper utilization of this competitive information in conjunction with the various Category Professional Toolkit applications should enable you to effectively demonstrate to your accounts how their entire business is impacted by such programs and strategies.

We should continue to share best practices and provide feedback on what things have been most effective, as well as recommendations for improvements to your National Manager of Trade Marketing.

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R. J. REYNOLDS TOBACCO COMPANY

Attachment

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Source: https://www.industrydocuments.ucsf.edu/docs/zhjy0000

COMPETITIVE CONTRACT ANALYSIS
1998 PHILIP MORRIS RETAIL MASTER PROGRAM

CARTON OUTLETS

- PM'S NEW CONTRACTS ATTEMPT TO GAIN DOMINANCE REGARDLESS OF THE IMPACT THEIR REQUIREMENTS MAY HAVE ON OTHER MANUFACTURERS' WILLINGNESS TO CONTRACT.
  - *PLAN C - LNSS* ADDRESSES PACK AND CARTON PRESENCE IN TRADITIONAL CARTON OUTLETS.

- MAJOR CONTRACT CHANGES INCLUDE:
  - REDEFINITION OF *MPL2* FOR 1998 THAT DEMANDS MERCHANDISING IN #1 STAFFED CHECKOUT LOCATION.
  - 1998 *MPL2* DEMANDS MAINTENANCE OF FRONT FACED MARLBORO CARTON FIXTURE (WATERFALL) IN THE #1 STAFFED CHECKOUT LOCATION.
  - 1998 *MPL3* REQUIREMENTS DEMAND EXCLUSIVE PERMANENT PACK FIXTURES, DISPLAYS AND SIGNAGE.
  - 1998 *MPL4* REQUIRES PLACEMENT OF TWO ENHANCED PRESENCE OPTIONS IN ADDITION TO ALL *MPL3* REQUIREMENTS.

- MAJOR CONTRACT REQUIREMENT CHANGES INCLUDE:
  - IF COMPETITIVE PACK DISPLAYS ARE PRESENT, PM MUST HAVE A NSS PREMIUM DISPLAY IN #2 OR #3 POSITION.

    OR
  - MAINTAIN NSS MARLBORO CHECKLANE DISPLAYS IN MINIMUM OF 1/3 OF CHECKLANES.
  - ADDITIONAL PERMANENT PROMOTIONAL DISPLAY FOR RETAILERS WITH DEDICATED AREA FOR PROMOTIONS IN *MPL 1*.
    - PERMANENT NSS PM PROMOTIONAL DISPLAY

      OR
    - PM - SUPPLIED INDUSTRY PROMOTIONAL DISPLAY WITH EXCLUSIVE PM SIGNAGE AND PM ON TOP 50% OF FIXTURE.
  - SIGNAGE REQUIREMENT FOR *MPL1* THAT DEMANDS 50% OF FIXTURE SIGNAGE WHERE SIGNAGE IS USED.

Source: https://www.industrydocuments.ucsf.edu/docs/zhjy0000

COMPETITIVE CONTRACT ANALYSIS
1998 PHILIP MORRIS RETAIL MASTER PROGRAM

CARTON OUTLETS CONT.

IMPLICATIONS TO THE RETAILER:

- PM's SIGNAGE REQUIREMENT UNDER *MPL1* WILL LIKELY CREATE A MAJOR CHALLENGE FOR RETAILERS BASED ON PM's RELUCTANCE TO COST SHARE ON RJR FIXTURES. DEMANDING ADVERTISING ON A FIXTURE THEY DID NOT/WILL NOT PAY FOR IS UNREASONABLE.
- BASING ANY DECISION ON RDA's ONLY, WHEN THEY ARE SUCH A SMALL PART OF THE PROFIT PICTURE, IS NOT GOOD BUSINESS. PM's DEMANDS COULD LEAD TO LOST PROMOTIONAL AND RDA RESOURCES FROM OTHER MANUFACTURERS, A REDUCTION IN BRAND SELECTION..... ALL LEADING TO SIGNIFICANTLY LOWER FOOT TRAFFIC AND TOTAL PROFITS.
- PM's DEMAND/OPTION OF HAVING AN INDUSTRY PROMOTIONAL UNIT WITH THEM ON TOP AND EVERYONE ELSE ON THE BOTTOM WILL BE UNACCEPTABLE TO MOST MANUFACTURERS. IT IS IN THE RETAILER'S BEST INTEREST TO SELECT THE PM ONLY PROMOTIONAL UNIT AND PROVIDE SEPARATE NSS PROMOTIONAL DISPLAYS FOR RJR AND/OR OTHER MANUFACTURERS, IF PERMANENT PROMOTIONAL DISPLAYS ARE IMPLEMENTED.

Source: https://www.industrydocuments.ucsf.edu/docs/zhjy0000

COMPETITIVE CONTRACT ANALYSIS
1998 PHILIP MORRIS RETAIL MASTER PROGRAM

PACK OUTLETS

- PHILIP MORRIS HAS ANNOUNCED SEVERAL NEW PLANS AVAILABLE FOR PARTICIPATING PACK OUTLETS IN 1998.
- IT APPEARS THAT PM WILL UTILIZE THE ABOVE MENTIONED PLANS TO ADDRESS REGULATORY/LEGISLATIVE INITIATIVES FOR 1998 AND BEYOND, WHETHER AT THE LOCAL, STATE OR NATIONAL LEVEL.
- SEVERAL COMPETITIVE MANUFACTURERS MAY BE PRESENTING NON-SELF-SERVICE OPTIONS TO YOU THAT PROPOSE TRANSITIONING TO NON-SELF-SERVICE PRIOR TO LEGISLATED IMPLEMENTATION DATES. CONVERTING TO NSS NOW IS NOT THE RIGHT STRATEGIC DECISION AS ALREADY MENTIONED.

- MAJOR CONTRACT CHANGES:
  - MERGING OF 1997 *MPL1* AND *MPL2* REQUIREMENTS INTO A NEW *MPL1* LEVEL FOR 1998.
  - REDEFINITION OF *MPL2* FOR 1998 THAT DEMANDS EXCLUSIVITY IN PM PACK DISPLAYS, FIXTURES, AND SIGNAGE. ALSO CALLS FOR EXCLUSIVE 3 WEEK PROMOTIONAL WINDOW PER QUARTER.
  - EXCLUSIVITY LEVEL *MPL4* AND ASSOCIATED PAYMENT HAVE BEEN ELIMINATED. 1998 *MPL3* REQUIREMENT (PLACEMENT OF TWO ENHANCED PRESENCE OPTIONS) MIRROR THOSE OFFERED AS *MPL4* IN 1997.

- MAJOR CONTRACT REQUIREMENT CHANGES INCLUDE:
  - DEMANDS THAT RETAILER MAINTAIN PERMANENT NSS PM PROMOTIONAL DISPLAY IN *MPL1*.
    OR
  - REQUIRES PM SUPPLIED INDUSTRY PROMOTIONAL DISPLAY WITH EXCLUSIVE PM SIGNAGE AND PM ON TOP 50% OF FIXTURE
  - ENABLES RETAILER WHO CHOOSES TO MERCHANDISE MARLBORO PACK DISPLAYS AS THE ONLY PACK DISPLAY ON THE COUNTER (WITH SECURITY SHIELDS OVER THE DISPLAY) TO QUALIFY FOR *MPL1*.
    - *PLAN PB - LNSS* – MARLBORO DISPLAY ONLY PACK DISPLAY ON THE BACKBAR
    - *PLAN PC - LNSS* – MARLBORO DISPLAY ONLY PACK DISPLAY ON THE PRIMARY SALES COUNTER

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COMPETITIVE CONTRACT ANALYSIS
1998 PHILIP MORRIS RETAIL MASTER PROGRAM

PACK OUTLETS CONT.

IMPLICATIONS TO THE RETAILER

- COMPETITIVE MANUFACTURERS WILL NOT HAVE A CONTRACT TO OFFER IF YOU ALLOW MARLBORO DISPLAYS IN EXCLUSIVE SALES COUNTER OR BACKBAR POSITIONS.
- RJR CAN ONLY CO-EXIST WITH PM AT *MPL1* IN 1998. NEW *MPL2* AND *MPL3* LEVELS CONTAIN EXCLUSIVITY REQUIREMENTS THAT VOID RJR RETAIL MARKETING PLAN AGREEMENTS, AND MOST LIKELY WILL VOID ALL OTHER MANUFACTURER CONTRACTS.
- CO-EXISTENCE AT PM *MPL1* SHOULD NOT DISADVANTAGE OTHER MANUFACTURERS, THE RETAILER OR THE CONSUMERS FROM A PROMOTIONAL OPPORTUNITY PERSPECTIVE. IT IS IN THE RETAILER'S BEST INTEREST TO SELECT THE SEPARATE NSS PM PROMOTIONAL DISPLAY, AS WELL AS SEPARATE PROMOTIONAL DISPLAYS FOR RJR AND OTHER MANUFACTURERS. THE ACCEPTANCE OF AN INDUSTRY PROMOTIONAL UNIT WITH PM ON THE TOP 50% AND ALL OTHER COMPANIES ON THE BOTTOM COULD POSSIBLY VOID ANY CONTRACT OPPORTUNITIES BESIDES PM.

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